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The National Association of State Telecommunications Directors (NASTD) hereby submits its comments in response to the Commission's Public Notice of November 18, 1996 in the referenced proceeding. Specifically, the Commission is seeking comments on the Federal-State Joint Board Recommended Decision (hereafter "Recommended Decision") regarding universal service.

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NASTD is a national association of state government executives who manage state telecommunications networks in all 50 states, the District of Columbia, and the U.S. Territories. NASTD executives procure, provide, and administer the telecommunications facilities and systems used by the vast array of state entities including hospitals and other health care and human service activities; public schools, technical schools, and universities; law enforcement agencies and correctional facilities; and a multitude of other state agencies



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and authorities. These services include voice, data, and video networks; wireline and wireless services and equipment, including voice, data, and paging systems; radio and microwave systems; and distance learning and telemedicine networks

via both landline and satellite. A key aspect of this effort is the aggregation of the telecommunications needs of all these entities and services for the purposes of obtaining the highest cost performance in telecommunications services for the taxpayers' dollar.

It is in this light that NASTD, on behalf of its members, offers comments on the Recommended Decision. Our comments are broad in nature because of our wide constituency. We are aware that some of our member states are also submitting comments of their own accord, and which may more specifically address the issues upon which we are offering our comments and/or other issues.

We applaud and commend the Joint Board for the thoroughness and breadth of their study and recommendations. We support most of their recommendations, but believe some of our concerns have not been adequately addressed in their Recommended Decision.

Our greatest concern lies in the recommended methodology of providing universal service fund support in the form of discounted services to schools, libraries, and rural health care facilities (hereafter "eligible entities"), as are generally described in Section 593 et.seq. of the Recommended Decision. Many states have already made substantial commitments to connecting these eligible entities to the Internet, and to each other, by way of their long-established and broad reaching statewide telecommunications networks. Thousands of schools now have Internet access as well as access to other state provided educational resources by way of these network connections. The value of the interconnection with other similar facilities for the exchange and sharing of information should not be underestimated.

Additionally, several states have widely deployed distance learning and telemedicine networks, again connected via their long established and broad reaching statewide telecommunications networks. These networks use a

combination of video and multimedia (data) connections to provide educational and medical services to remote areas of their states, bringing the benefits of urban-based services to rural and disadvantaged areas of the state. Some also use satellite networks for this purpose -- often these are also provided and/or managed by the state telecommunications organization. A high percentage of these distance learning and telemedicine sites are located at sites owned by eligible entities. As with the Internet connectivity described above, the value of the interconnection with other similar facilities for the exchange and sharing of information should not be underestimated.

Many of our member states provide telecommunications services as simple as "POTS" dialtone, telephone sets, and long distance service to our eligible entities' locations, or as complex as data networks. In some cases they are provided directly (i.e., the educational facility may be a direct customer of the telecommunications organization) and in other cases the service is provided as part of a larger complement of services provided to a local government entity or school district.

The networks over which these services are provisioned, and the equipment which works with the network to provide the end services, are procured via long term contracts based on term and volume commitments, and obtained by way of a competitive procurement process. In other words, the cost of the service provided to the eligible entities is based on the total volume generated by all customers of the procuring agency, usually the state telecommunications agency, as determined by a competitive procurement process. Conversely, the remainder of the state telecommunications organization's customers benefit from the aggregated volume of their service with that of the eligible entities. This aggregation brings the best pricing, based on the high volumes the state telecommunications organization is able to bring to the table, to all participants. To remove a significant amount of the volume from this aggregation will undoubtedly cause the cost of these telecommunications services to increase for the remainder of the state telecommunications network customers as well as for the eligible entities. The end result will be that the taxpayer, who is where the 'buck stops' for both groups, will end up paying more.

We believe this problem is easily remedied. The Recommended Decision deals with this situation to some degree when it speaks to purchasing consortia, up to the municipality level. However it does not appear to recognize that

this purchasing aggregation, at its highest level, occurs with the state telecommunications organization. The remedy is to permit the state telecommunications organization to procure the services on behalf of the eligible entity, and to receive and pass directly through any discounts which are provided via the universal service fund process. It would require that the state telecommunications organization exercise care to insure that only the eligible entities receive the discounts, and that other ineligible customers do not receive them. This would allow the state telecommunications organization to continue to aggregate the volume of the eligible entities with that of its other customers to receive the best price possible for both, while preserving the universal service fund discounts for the eligible entities. We believe this process is simple, straight forward, and easily policed.

Our second area for comment relates to the Commission's question as to which services and service providers should be required to contribute to the universal service fund. It is our opinion that the contributors should be as broad based as possible to insure the lowest cost impact on any particular service or service provider. In the final analysis the contributions will be passed through to the purchasers of telecommunications services. Using a broad base will help contain the cost of individual services, thus helping hold down the cost to state and local governments and their tax paying constituencies.

The fact that the state's method of procurement follows a competitive process is in keeping with the Joint Board's concept of insuring competitive neutrality for services and among service providers. Likewise, we believe our suggestion that the costs associated with the universal service fund be spread across a broad base of services and service providers leads to this same end.

Our third concern is with the procedure for eligible entities to competitively procure services proposed in Section 602. We fully support the proposed concept of competitive procurement for telecommunications services where competition exists. NASTD and its members do not pretend to be experts in procurement law. However we collectively procure millions of dollars in telecommunications goods and services each year following our state procurement codes. Based on this experience we are concerned that the method of procurement described in Section 602 may conflict with the procurement code governing the individual procuring entity. Specifically, we have

concerns as to whether the posting of a description of the services desired on a web page as a means of eliciting competitive bids from potential competitors meets the procurement code that must be followed by state and local government entities. We therefore respectfully caution the Commission to not establish specific procedures for procurement at the state and local level. We suggest that the Commission may wish to seek the counsel of experts in this area before ordering a process which cannot be legally implemented at the local or state level.

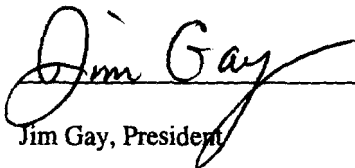
In conclusion, NASTD commends the Joint Board for the thoroughness of their study and recommendations. Our concerns lie in three areas. First, that we not lose the value of consolidated networks and aggregated purchase arrangements which are already in place. Second, that the source of contributions to the universal service fund should be broad based. Third, that the Commission may not adopt rules for procurement of telecommunications services by eligible entities that are in conflict with the procurement code which those entities are required to follow.

We appreciate the Commission's willingness to consider our concerns and comments. We conclude with an open offer to the Commission for any additional clarifying information that would assist in their making the difficult decisions that lie ahead in this arena.

Respectfully Submitted

National Association of State Telecommunications Directors

by



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cc: NASTD Executive Board
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